20 Civ. 06274 (LAK)

United States District Court

for the

Southern District of New York

IN RE TRANSCARE CORPORATION, ET AL.

DEBTORS,

PATRIARCH PARTNERS AGENCY SERVICES, LLC, ET AL.

DEFENDANTS-APPELLANTS,

—against—

SALVATORE LAMONICA, AS CHAPTER 7 TRUSTEE OF THE JOINTLY-ADMINISTERED ESTATES OF TRANSCARE CORPORATION, ET AL.,

PLAINTIFF-APPELLEE.

ON APPEAL FROM THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (BERNSTEIN, J.)

IN RE: TRANSCARE CORPORATION, ET AL., CASE NO. 16-10407 (SMB)

LAMONICA V. TILTON, ET AL., ADV. PROC. NO. 18-1021 (SMB)

APPENDIX TO BRIEF FOR THE APPELLANTS

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TransCare - updates to 2016 preliminary plan based on yesterday's discussion

From:

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Bcc:

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Date:

Thu, 07 Jan 2016 12:33:38 -0500

Attachments:

oledata.mso (4.16 MB); image001.wmz (13 kB); TRANSCARE BUSINESS MODEL 2015 and 2016 12-30-2015 v11-msg (version 1).xlsx (4.76 MB)

Carl/Jonathan,

This is the case that Jean Luc and I had worked on. Given the discussions with NYSIF ($1MM payment reduced to $225k payment), the cash flow forecast included a payment plan that is more aggressive than the most recent discussions.

As I mentioned, work needs to be done on building interactivity on A/P, A/R, ABL (WF revolver assumptions) and payment plans.

Michael

Jean Luc and I worked all night to arrive at a scenario to address the parameters that we discussed yesterday to support a sale process and minimize capital needed. This reports differs from prior reporting. As we discussed yesterday, it is more operationally driven.

We began by assessing the changes that have occurred in each of the divisions over the past few years and re-assessing the operational initiatives from 2015.

One of the most meaningful events was in mid-2014 the movement of NY non-emergency from midtown to Hamilton Brooklyn when a majority of the 911 and non-emergency customers are in upper Manhattan and north. This was one of the operational initiatives for 2015 but progress only made recently.

More specifically, the 2015 operational initiatives included the following:

- Eliminate Hamilton location and locate a location in Manhattan or South Bronx for NYC 911 and non-emergency (move vehicles closer to point of use);
- Eliminate non-profitable contracts including Board of Education and exit Main Line markets;
- Reduction in overhead;
- Build fleet management program for the ambulances (tracking reliability and repair KPI , continuous improvement and preventive maintenance); and
- Implement ePCR.

Overview of 2014 and 2015 performance by division

Below is a summary chart by division and a description of each division which illustrates the change in performance in particular divisions over time. It was used as a foundation for making our model assumptions.

- **Transit (26% of revenue)**
  - The Transit contract was renewed in mid-2015 through October 2019 but the MTA moved away from a commercial contract to a municipal contract where it limited profitability.
  - The MTA also demanded a rebate of $225k per month beginning in October (for at least 9 months) due to an interim extension where they believed they were overcharged.
  - During the 3rd and 4th quarters of 2015, Transit lost routes due to challenged performance and concerns about the TransCare's stability due to the delayed payment of insurance bills and other obligations.
  - TransCare can look to address Transit's concerns through improved payments of vendors and looking at ways to address the MTA's request to separate the cash of the business.
- **NYC 911 (31% of revenue)** – This is the most profitable division. Fire Department handles dispatch. There are 50 vehicles under contract, those vehicles are at work 24hr/day 7 days/week and don't return to the base.
  - All of the main customers have issued ultimatums for new vehicles (20 new 911 vehicles are expected to be required at a minimum).
  - Set number of ambulances per hospital (cannot be added or subtracted).
- **NY Core (non-emergency) (20% of revenue)**
  - Mid-2014 loss of facility in midtown resulted in 30% loss in labor efficiency resulted in turning the division from $50k in EBITDA to $(150)k - $(250)k in EBITDA.
  - A location has been found in the South Bronx which will help labor efficiency significantly.
  - Note that several non-emergency customers (Montefiore, Mt. Sinai) are also 911 customers a key consideration to improving and keeping the business.
- **Maryland (6% of revenue)**
  - University of Maryland is the primary customer.
  - It is a slightly below breakeven market but there is opportunity to increase rates to restore profitability.
- **Pittsburgh (6% of revenue)** – In Q4, due to having the oldest fleet, Pittsburgh has had 20 vehicles out of service. The performance has suffered as a result of vehicle out of service.
- **Hudson Valley (11% of revenue)** – Historically, a strong market with relatively good vehicles. More recently, it has had some challenges due to delayed vehicle maintenance.

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(amounts in thousands)	Year Ended 12/31/2014	Year Ended 12/31/2015	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	Comments
New York Revenues Core (total)	29,189	20,566	(8,623)	-91.5%	Exit Board of Education for $1.2M, reclass
Transit Revenues	30,063	29,523	(540)	-1.8%	Impact of rebate, lost routes later in yr.
Maryland Revenues	8,891	6,852	(2,039)	-22.9%	Lost share for fleet reliability
Main Line (incl. Subsidy)	10,689	2,781	(7,908)	-70.9%	Shut down
Pittsburgh Revenues (incl. Subsidy)	7,868	6,828	(1,040)	-13.1%	Cut nursing homes / Decline UPMC
NYC 911 Revenues (incl. Subsidy)	32,309	35,554	3,245	622.0%	Sandy, Reclass
Hudson Valley (including Subsidy)	11,661	12,238	577	7.3%	
All Revenues	130,670	114,342	(16,328)	-12.5%	
New York EBITDA Core	117	(1,682)	(1,800)	-1533.5%	
Transit EBITDA	3,789	2,567	(1,222)	-32.3%	
Maryland EBITDA	236	(472)	(708)	-300.0%	
Main Line EBITDA	(1,690)	(1,289)	401	-23.7%	
Pittsburgh EBITDA	647	415	(232)	-35.9%	
NY 911 EBITDA	3,410	6,366	2,957	86.7%	
Hudson Valley EBITDA	812	1,837	1,025	126.2%	
Corp OH	(6,278)	(5,804)	474	-7.5%	
EBITDA	488	1,365	877	179.8%	
% of revenue	0.4%	1.2%			

Latest Preliminary Budget

We discussed with management one more time a number of scenarios but agreed to disagree.

As a result, we worked independently to arrive at a scenario more consistent with the parameters discussed yesterday.

Key assumptions to latest preliminary budget:

- Currently there are 169 ambulances in service out of 245 (72 are out of service at any point of time or close to 30%).
  - From mid-year to December 2015, the number of in service vehicles declined by nearly 15.
  - It is unclear as to how much is attributable to delayed maintenance versus the need to replace vehicles (despite the average age of 7+ years).

- Maintenance and payments of parts vendors will be critical in Q1 to address vehicle performance.
- Replacement of 20 NYC 911 vehicles (critical to maintaining customers) and 20 non-emergency vehicles to reduce average age of fleet and address those in worst condition.
- Move from Hamilton facility to South Bronx as soon as possible to drive improved efficiency and volume (by up to 30%) of non-emergency and 911 business.
- Inject 20 new ambulances into the 911 business to save customers (assumes 25% down payment).
- MTA business will take 5 – 6 months to improve significantly due to a need to replace management and time required to get back routes.
- MTA has said that they will consider returning routes (currently around 210 vs. 280 – 300 previously) as they witness progress with vendors and consideration of their request to separate cash flow.
- The assumption is that each vehicle adds approximately $38k per month in revenue and $450k per year.

- Revenue increases from $115MM to $120MM, including $2MM in new services.
- Gross margin % improves from 28.6% to 32.1% due to greater efficiencies with improved maintenance, removal of MTA rebate in Q4, increased parts supply and the move from Hamilton to South Bronx.
- EBITDA improves from $1.4MM to $6.9MM based on the reasons outlined above.
- The maximum funding need during 2016 is $4.5MM but can be mitigated through any potential delays in vehicle leases.

Another alternative is to not replace the 20 non-emergency vehicles which would reduce the peak need by only $120k but there is concern that the decline in non-emergency volume will continue.

I have attached the model and shown the monthly P&L below along with 13-week cash forecast as an Exhibit below.

$ in thousands	2014	YTD Sept.	Oct.	Nov.	Dec.	2015	Jan.	Feb.	Mar.	Q1 2016	Q2 2016	Q3 2016
Revenue	$131,122	$88,841	$8,911	$8,681	$8,318	$114,752	$8,672	$8,995	$9,175	$26,842	$30,180	$31,390
Cost of Service	93,567	62,562	6,596	6,536	6,239	81,933	6,249	6,347	6,305	18,901	20,438	21,021
Gross Margin	37,555	26,279	2,316	2,145	2,079	32,818	2,423	2,648	2,869	7,940	9,742	10,369
Gross Margin %	28.6%	29.6%	26.0%	24.7%	25.0%	28.6%	27.9%	29.4%	31.3%	29.6%	32.3%	33.0%
Operating Expenses	37,067	23,642	2,563	2,617	2,631	31,453	2,522	2,554	2,590	7,667	7,916	8,038
Op. Exp. (% of revenue)	28.3%	26.6%	28.8%	30.1%	31.6%	27.4%	29.1%	28.4%	28.2%	28.6%	26.2%	25.6%
EBITDA (after mgmt. fees)	488	2,636	-247	-472	-552	1,365	-99	94	279	273	1,826	2,330
EBITDA Margin %	1.3%	3.0%	-2.8%	-5.4%	-6.6%	1.2%	-1.1%	1.0%	3.0%	1.0%	6.1%	7.4%
Interest payments	(4,980)	(3,624)	(414)	(415)	(415)	(4,868)	(388)	(388)	(388)	(1,165)	(862)	(1,165)
Capital expenditures	-	1	-	-	-	1	-	707	694	1,401	1,996	249
Capital lease payments	(996)	(367)	(114)	(114)	(114)	(708)	(114)	(371)	(388)	(873)	(1,292)	(1,002)
Free Cash Flow	(5,488)	(1,354)	(775)	(1,001)	(1,081)	(4,210)	(601)	42	196	(364)	1,668	412
Summary Balance Sheet												
A/P (incl. PPAS/PPMG)	$15,174	$12,882	$13,104	$13,988	$13,298	$13,298	$11,948	$11,228	$10,284	$10,284	$9,679	$9,391
Cumulative Change in A/P	3,995	-	222	1,106	416	416	(934)	(1,654)	(2,598)	(2,598)	(3,203)	(3,491)
PPAS Current Loans	$36,266	$40,895	$40,895	$40,895	$40,895	$40,895	$40,895	$40,895	$40,895	$40,895	$40,895	$40,895
Proposed Loans	$0	$0	$750	$750	$2,028	$2,028	$6,207	$6,507	$6,507	$6,507	$6,507	$6,507
ABL	$17,722	$17,714	$17,204	$16,890	$17,468	$17,468	$16,935	$17,337	$17,742	$17,742	$18,928	$19,002
Total Debt	$53,988	$58,610	$58,850	$58,535	$60,391	$60,391	$64,038	$64,740	$65,144	$65,144	$66,330	$66,405

<u>The peak need of close to $4.5MM is driven by the following:</u>

Immediate requirements (including $1MM NYSIF payment and other obligations this week incl. payroll, payroll taxes); $2.2MM

25% down payments on 20 911 and 20 non-emergency vehicles:	$1.3MM
Other A/P payments necessary to open back up parts supplies and maintain existing vehicles:	$1.0MM
Total	$4.5MM

The risk of not leasing the non-emergency vehicles only reduces the peak need by $120k but risks continued deterioration of the non-emergency business.

For the sake of providing another scenario, we considered a more extreme case (Exit NY non-emergency and Maryland):

- NY non-emergency is currently unprofitable.
- Corporate reductions are assumed and would be required in order to maintain profitability.
- Most importantly, peak need is $7.17MM including $2.8MM of old A/P to pay down.
- Revenue of $84.1MM, EBITDA of $4.0MM (EBITDA margin of 4.7%) including a profitable Q1.
- **Biggest risk: Potential loss of lucrative 911 business with Montefiore and Mt. Sinai.**

Please let us know when you would like to discuss.

Thank you,
Michael

Exhibit I – 2016 Monthly Financials

2016 Monthly Income Statement

INCOME STATEMENT	Budget Jan-16	Budget Feb-16	Budget Mar-16	Budget Apr-16	Budget May-16	Budget Jun-16	Budget Jul-16	Budget Aug-16	Budget Sep-16	Budget Oct-16
New Vehicles	0	7	7	8	8	5	1	1	1	1
In service vehicles	173	180	187	195	203	208	209	210	211	212
Average monthly revenue per	$39,000	$39,000	$38,500	$39,000	$39,000	$38,500	$38,000	$38,000	$38,000	$38,000
Ambulance Revenue	6,747,000	7,020,000	7,199,500	7,605,000	7,917,000	8,008,000	7,942,000	7,980,000	8,018,000	8,056,000
Revenue	$8,647,000	$8,920,000	$9,099,500	$9,605,000	$9,917,000	$10,208,000	$10,142,000	$10,280,000	$10,318,000	$10,356,000
New Products & services	$25,000	$75,000	$75,000	$150,000	$150,000	$150,000	$200,000	$225,000	$225,000	$225,000
Net Revenue (All)	$8,672,000	$8,995,000	$9,174,500	$9,755,000	$10,067,000	$10,358,000	$10,342,000	$10,505,000	$10,543,000	$10,581,000
Driver Compensation & Related	$4,309,440	$4,542,475	$4,495,505	$4,779,950	$4,832,160	$4,971,840	$4,922,792	$5,000,380	$5,018,468	$5,036,556
Dispatch, Customer Service	$301,034	$312,118	$321,108	$341,425	$352,345	$362,530	$361,970	$367,675	$369,005	$336,975
Fleet Compensation	$308,796	$320,179	$315,169	$330,992	$331,081	$340,706	$340,992	$347,286	$342,509	$345,734
Work Compensation Costs	$260,160	$269,850	$275,235	$292,650	$302,010	$310,740	$310,260	$324,667	$332,719	$324,997
Maintenance Costs	$248,731	$257,909	$253,871	$266,614	$266,676	$274,418	$274,646	$279,691	$275,904	$278,449
Other Fees, Insurances	$234,366	$242,995	$239,190	$251,196	$251,255	$258,550	$258,765	$263,518	$259,950	$262,347
Fuel, Tolls & Parking Costs	$225,472	$233,870	$238,537	$253,630	$261,742	$269,308	$268,892	$273,130	$274,118	$275,106
Medical Supplies, Rentals & Repairs	$72,397	$75,075	$73,902	$77,614	$77,645	$79,912	$79,982	$81,481	$80,303	$81,109
Communications	$35,107	$36,431	$35,869	$37,678	$37,718	$38,844	$38,885	$39,674	$38,951	$39,472
All Other GOGS	$53,766	$55,769	$56,882	$60,481	$62,415	$64,220	$64,120	$65,131	$65,367	$65,602
SUB TOTAL - COST OF SERVICE	$6,249,289	$6,346,671	$6,305,268	$6,692,230	$6,775,046	$6,971,068	$6,921,304	$7,042,633	$7,057,294	$7,046,347
SUB TOTAL - GROSS PROFIT	$2,422,711	$2,648,329	$2,869,232	$3,062,770	$3,291,954	$3,386,932	$3,420,696	$3,462,367	$3,485,706	$3,534,653
%	27.9%	29.4%	31.3%	31.4%	32.7%	32.7%	33.1%	33.0%	33.1%	33.4%
Administrative Staffing	$1,023,296	$1,007,440	$1,027,544	$1,075,000	$1,075,000	$1,075,000	$1,075,000	$1,075,000	$1,075,000	$1,075,000
Facility Costs	318,085	327,616	321,923	337,492	335,361	342,854	342,549	343,529	352,049	343,879
Insurance Auto/Liability	234,144	242,865	247,712	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Professional Fees	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
All Other SG&A	286,176	296,835	302,759	321,915	332,211	341,814	341,286	346,665	347,919	349,173
Bad Debt	520,320	539,700	550,470	487,750	503,350	517,900	517,100	525,250	527,150	529,050
TOTAL OPERATING EXPENSES	$2,522,021	$2,554,456	$2,590,407	$2,612,157	$2,635,922	$2,667,568	$2,665,935	$2,680,444	$2,692,118	$2,687,102
EBITDA CURRENT BUSINESS	($99,310)	$93,873	$278,825	$450,613	$656,031	$719,364	$754,760	$781,922	$793,588	$847,550
%	-1.1%	1.0%	3.0%	4.6%	6.5%	6.9%	7.3%	7.4%	7.5%	8.0%
Interest Expense & Cap Lease	$429,018	$433,219	$437,344	$442,093	$446,751	$449,045	$451,464	$451,730	$451,981	$452,217
Depreciation	155,077	155,077	155,077	155,077	155,077	155,077	155,077	155,077	155,077	155,077
All other	4,950	6,019	5,532	5,600	6,729	5,200	6,250	6,540	6,540	6,540
Income Tax	0	0	0	0	0	0	0	0	0	0
NET INCOME with RECOVERY	($688,356)	($500,443)	($319,128)	($152,157)	$47,474	$110,042	$141,969	$168,575	$179,990	$233,716
%	-7.9%	-5.6%	-3.5%	-1.6%	0.5%	1.1%	1.4%	1.6%	1.7%	2.2%

2016 Monthly Balance Sheet

	Budget Jan-16	Budget Feb-16	Budget Mar-16	Budget Apr-16	Budget May-16	Budget Jun-16	Budget Jul-16	Budget Aug-16	Budget Sep-16
Cash	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
Accounts Receivable (Net of reserve)	$20,551,491	$20,364,693	$20,479,730	$19,529,461	$20,934,882	$19,831,622	$19,527,660	$18,637,480	$19,467,698
Inventories	1,200,000	995,350	995,350	1,515,000	1,515,000	1,524,156	1,375,836	1,575,836	1,875,000
Prepaid Expenses	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total Current Assets	**$22,101,491**	**$21,710,043**	**$21,825,080**	**$21,394,461**	**$22,799,882**	**$21,705,778**	**$21,253,496**	**$20,563,316**	**$21,692,698**
PPE (Net)	$3,194,486	$3,901,445	$4,595,286	$5,433,760	$6,256,777	$6,591,310	$6,916,768	$6,879,617	$6,839,843
Goodwill	13,547,506	13,547,506	13,547,506	13,547,506	13,547,506	13,547,506	13,547,506	13,547,506	13,547,506
Other Assets	6,205,085	6,205,085	6,205,085	6,205,085	6,205,085	6,205,085	6,205,085	6,205,085	6,205,085
TOTAL ASSETS	**$45,048,568**	**$45,364,079**	**$46,172,957**	**$46,580,812**	**$48,809,250**	**$48,049,680**	**$47,922,855**	**$47,195,524**	**$48,285,132**
Accounts Payable	$11,947,502	$11,227,502	$10,283,502	$10,077,832	$9,876,275	$9,678,750	$9,581,962	$9,486,143	$9,391,281
Accrued Expenses	$1,656,940	$1,856,940	$2,903,450	$2,869,801	$2,508,121	$2,486,158	$2,414,460	$2,479,083	$2,614,220
Accrued Compensated Absences	605,581	605,581	605,581	605,581	605,581	605,581	605,581	405,581	405,581
Line of Credit Borrowing	16,934,895	17,336,889	17,741,544	17,775,401	19,769,585	18,927,632	18,574,866	18,020,307	19,002,425
Current liabilities	**$31,144,918**	**$31,026,912**	**$31,534,077**	**$31,328,615**	**$32,759,562**	**$31,698,121**	**$31,176,869**	**$30,391,114**	**$31,413,508**
Term Loans	40,895,483	40,895,483	40,895,483	40,895,483	40,895,483	40,895,483	40,895,483	40,895,483	40,895,483
Capital Contribution	6,207,239	6,507,239	6,507,239	6,507,239	6,507,239	6,507,239	6,507,239	6,507,239	6,507,239
Capital Lease	1,009,458	1,643,447	2,264,288	3,029,762	3,779,779	3,971,607	4,224,065	4,113,914	4,001,139
Deferred Rent Payable	815,152	815,152	815,152	815,152	815,152	815,152	815,152	815,152	815,152
Deferred Tax Liability	3,821,396	3,821,396	3,821,396	3,821,396	3,821,396	3,821,396	3,821,396	3,821,396	3,821,396
TOTAL LIABILITIES	**83,893,676**	**84,709,629**	**85,837,636**	**86,397,647**	**88,578,611**	**87,708,998**	**87,440,204**	**86,544,298**	**87,453,917**
Equity (Deficit)	($38,845,108)	($39,345,550)	($39,664,678)	($39,816,835)	($39,769,361)	($39,659,319)	($39,517,350)	($39,348,775)	($39,168,785)
TOTAL EQUITY	**($38,845,108)**	**($39,345,550)**	**($39,664,678)**	**($39,816,835)**	**($39,769,361)**	**($39,659,319)**	**($39,517,350)**	**($39,348,775)**	**($39,168,785)**
TOTAL LIABILITIES & EQUITY	**$45,048,569**	**$45,364,078**	**$46,172,957**	**$46,580,812**	**$48,809,250**	**$48,049,679**	**$47,922,855**	**$47,195,523**	**$48,285,132**

2016 Monthly Cash Flow Statement

CASH FLOW STATEMENT	Budget Jan-16	Budget Feb-16	Budget Mar-16	Budget Apr-16	Budget May-16	Budget Jun-16	Budget Jul-16	Budget Aug-16	Budget Sep-16	Budget Oct-16
Net Income/(Loss)	**($688,356)**	**($500,443)**	**($319,128)**	**($152,157)**	**$47,474**	**$110,042**	**$141,969**	**$168,575**	**$179,990**	**$233,**
Add back: Deprec. & Amortization	155,077	155,077	155,077	155,077	155,077	155,077	155,077	155,077	155,077	155,
Bad debts	520,320	539,700	550,470	487,750	503,350	517,900	517,100	525,250	527,150	529,
Deferred Tax Expense	0	0	0	0	0	0	0	0	0	
Changes in operating assets & liabilities										
Decrease/(Increase) in AR & Other	656,950	186,799	(115,037)	950,269	(1,405,421)	1,103,260	303,962	890,180	(830,219)	138,
Decrease/(Increase) in Inventory	0	204,650	0	(519,650)	0	(9,156)	148,320	(200,000)	(299,164)	
Decrease/(Increase) in Pre-Paid	0	0	0	0	0	0	0	0	0	
Increase/(Decrease) in AP & Other	(4,144,261)	(1,342,653)	(691,561)	(1,084,564)	(1,377,714)	(612,772)	(464,034)	(407,072)	(129,628)	(119,
CASH FLOW FROM OPERATIONS	**($3,500,269)**	**($756,870)**	**($420,180)**	**($163,275)**	**($2,077,233)**	**$1,264,352**	**$802,394**	**$1,132,011**	**($396,795)**	**$936,**
Purchase of Property and Equipment	$0	$706,959	$693,841	$838,474	$823,017	$334,534	$325,458	($37,151)	($39,774)	($42,
Lease New Fleet Vehicles	**(73,000)**	**(326,041)**	**(339,159)**	**(354,526)**	**(369,983)**	**(378,466)**	**(387,542)**	**(270,151)**	**(272,774)**	**(275,**
Proceeds from Disposal of Assets										
CASH FLOW FROM INVESTING	**($73,000)**	**$380,917**	**$354,683**	**$483,948**	**$453,034**	**($43,933)**	**($62,085)**	**($307,302)**	**($312,549)**	**($317,**
CASH FLOW BEFORE FINANCIN(	**($3,573,269)**	**($375,953)**	**($65,497)**	**$320,673**	**($1,624,200)**	**$1,220,419**	**$740,309**	**$824,709**	**($709,344)**	**$619,**
Proceeds (Repay) of Line of Credit	($532,969)	$401,994	$404,656	$33,857	$1,994,183	($841,953)	($352,766)	($554,559)	$982,118	($543,
Payments of Capital Lease Obligations	(73,000)	(326,041)	(339,159)	(354,526)	(369,983)	(378,466)	(387,542)	(270,151)	(272,774)	(275,
Proceeds (Pay down) Capital										
Proceeds from Term Loans	4,179,239	300,000	0	0	0	0	0	0	0	
Deferred Financing Cost	0	0	0	0	0	0	0	0	0	
CASH FLOW FROM FINANCING	**$3,573,270**	**$375,952**	**$65,497**	**($320,669)**	**$1,624,200**	**($1,220,419)**	**($740,309)**	**($824,709)**	**$709,343**	**($619,**
BEGINNING CASH BALANCE	$100,001	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,
Net Change in Cash Balance	0	(0)	0	4	0	(0)	0	(0)	(0)	
ENDING CASH BALANCE	$100,001	$100,000	$100,000	$100,004	$100,000	$100,000	$100,000	$100,000	$100,000	$100,

Exhibit II – 13-week cash flow forecast

TransCare Corporation 13 Week Cash Plan (000's Omitted)	Budget Week 1 1/1/16	Budget Week 2 1/8/16	Budget Week 3 1/15/16	Budget Week 4 1/22/16	Budget Week 5 1/29/16	Budget Week 6 2/5/16
RECEIPTS						
Ambulance Receipts	$ 1,307	$ 1,772	$ 1,602	$ 1,707	$ 1,707	$ 1,707
Paratransit Receipts	$ -	$ -	$ 1,956	$ -	$ -	$ 2,050
TOTAL RECEIPTS	**$ 1,307**	**$ 1,772**	**$ 3,558**	**$ 1,707**	**$ 1,707**	**$ 3,757**
DISBURSEMENTS						
Payroll						
Wages and employer taxes	$ 696	$ 2,266	$ 1,725	$ 1,365	$ 1,365	$ 1,365
HIP & Voluntary Benefits	$ -	$ -	$ -	$ -	$ -	$ -
H.S.A. funding						
UHC - Employee Medical	$ -	$ -	$ 30	$ 370	$ -	$ -
Total Benefits	**$ 696**	**$ 2,266**	**$ 1,755**	**$ 1,735**	**$ 1,365**	**$ 1,365**
Total payroll & benefits	**$ 696**	**$ 2,266**	**$ 1,755**	**$ 1,735**	**$ 1,365**	**$ 1,365**
Insurance	$ -	$ 1,253	$ -	$ 357	$ 504	$ 200
Debt interest	$ 310	$ 385	$ -	$ -	$ 85	$ 300
Other disbursements						
Rent	$ 443	$ -	$ 135	$ 135	$ -	$ 50
ACH Debits	$ 85	$ 46	$ 64	$ 71	$ 123	$ 65
Vehicle lease payments	**$ 43**	**$ 43**	**$ -**	**$ -**	**$ 43**	**$ -**
Vehicle purchase dp	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (1)**
Accounts payable - other	$ 25	$ -	$ 25	$ 150	$ 200	$ 223
Total other disbursements	**$ 596**	**$ 89**	**$ 224**	**$ 356**	**$ 366**	**$ 337**
TOTAL DISBURSEMENTS	**$ 1,602**	**$ 3,993**	**$ 1,979**	**$ 2,448**	**$ 2,320**	**$ 2,202**
CHANGE IN CASH	**$ (295)**	**$ (2,221)**	**$ 1,579**	**$ (741)**	**$ (613)**	**$ 1,554**
NET AVAILABLE CASH	$ 1	$ (2,149)	$ (2,999)	$ (3,839)	$ (4,179)	$ (4,182)
Wachovia ABL balance	**$ 14,811**	**$ 15,409**	**$ 15,287**	**$ 15,287**	**$ 15,287**	**$ 15,510**
Trailing 60-day cash	**$ 25,042**	**$ 24,986**	**$ 24,694**	**$ 24,472**	**$ 23,977**	**$ 24,327**
Eligible AR	**$ 15,848**	**$ 15,807**	**$ 15,912**	**$ 16,242**	**$ 16,568**	**$ 16,682**

TransCare Corporation 13 Week Cash Plan (000's Omitted)	Budget Week 7 2/12/16	Budget Week 8 2/19/16	Budget Week 9 2/26/16	Budget Week 10 3/4/16	Budget Week 11 3/11/16	Budget Week 12 3/18/16
RECEIPTS						
Ambulance Receipts	$ 1,707	$ 1,906	$ 1,707	$ 1,707	$ 1,707	$ 1,80
Paratransit Receipts	$ -	$ -	$ -	$	$ 2,050	$ -
TOTAL RECEIPTS	**$ 1,707**	**$ 1,906**	**$ 1,707**	**$ 1,707**	**$ 3,757**	**$ 1,80**
DISBURSEMENTS						
Payroll						
Wages and employer taxes	$ 1,365	$ 1,365	$ 1,365	$ 1,365	$ 1,365	$ 1,36
HIP & Voluntary Benefits	$ -	$ -	$ -	$ -	$ -	$ -
H.S.A. funding						
UHC - Employee Medical	$ -	$ -	$ 370	$ 370	$ -	$ -
Total Benefits	**$ 1,365**	**$ 1,365**	**$ 1,735**	**$ 1,735**	**$ 1,365**	**$ 1,36**
Total payroll & benefits	**$ 1,365**	**$ 1,365**	**$ 1,735**	**$ 1,735**	**$ 1,365**	**$ 1,36**
Insurance	$ 200	$ 357	$ 347	$ 257	$ 100	$ 10
Debt interest	$ -	$ -	$ 85	$ 300	$ -	$
Other disbursements						
Rent	$ 150	$ 56	$ -	$ 100	$ 28	$ -
ACH Debits	$ 74	$ 146	$ 194	$ 76	$ 58	$ 14
Vehicle lease payments	**$ -**	**$ -**	**$ 90**	**$ -**	**$ -**	**$ -**
Vehicle purchase dp	**$ -**	**$ -**	**$ -**	**$ -**	**$ 240**	**$ -**
Accounts payable - other	$ 200	$ 220	$ 300	$ 150	$ 300	$ 25
Total other disbursements	**$ 424**	**$ 422**	**$ 584**	**$ 326**	**$ 626**	**$ 39**
TOTAL DISBURSEMENTS	**$ 1,989**	**$ 2,144**	**$ 2,751**	**$ 2,618**	**$ 2,091**	**$ 1,86**
CHANGE IN CASH	**$ (282)**	**$ (238)**	**$ (1,044)**	**$ (911)**	**$ 1,666**	**$ (6**
NET AVAILABLE CASH	$ (3,971)	$ (3,915)	$ (4,466)	$ (4,594)	$ (4,485)	$ (4,15
Wachovia ABL balance	**$ 15,234**	**$ 15,077**	**$ 15,743**	**$ 15,951**	**$ 15,951**	**$ 15,95**
Trailing 60-day cash	**$ 24,677**	**$ 24,245**	**$ 24,517**	**$ 24,505**	**$ 24,253**	**$ 24,08**
Eligible AR	**$ 16,171**	**$ 16,273**	**$ 16,200**	**$ 16,184**	**$ 16,444**	**$ 16,44**

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(amounts in thousands)	Year Ended 12/31/2014	Year Ended 12/31/2015	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	Comments
New York Revenues Core (total)	29,189	20,566	(8,623)	-91.5%	Exit Board of Education for $1.2M, reclass
Transit Revenues	30,063	29,523	(540)	-1.8%	Impact of rebate, lost routes later in yr.
Maryland Revenues	8,891	6,852	(2,039)	-22.9%	Lost share for fleet reliability
Main Line (incl. Subsidy)	10,689	2,781	(7,908)	-70.9%	Shut down
Pittsburgh Revenues (incl. Subsidy)	7,868	6,828	(1,040)	-13.1%	Cut nursing homes / Decline UPMC
NYC 911 Revenues (incl. Subsidy)	32,309	35,554	3,245	622.0%	Sandy, Reclass
Hudson Valley (including Subsidy)	11,661	12,238	577	7.3%	
All Revenues	130,670	114,342	(16,328)	-12.5%	
New York EBITDA Core	117	(1,682)	(1,800)	-1533.5%	
Transit EBITDA	3,789	2,567	(1,222)	-32.3%	
Maryland EBITDA	236	(472)	(708)	-300.0%	
Main Line EBITDA	(1,690)	(1,289)	401	-23.7%	
Pittsburgh EBITDA	647	415	(232)	-35.9%	
NY 911 EBITDA	3,410	6,366	2,957	86.7%	
Hudson Valley EBITDA	812	1,837	1,025	126.2%	
Corp OH	(6,278)	(5,804)	474	-7.5%	
EBITDA	488	1,365	877	179.8%	
% of revenue	**0.4%**	**1.2%**			

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From: Marc Pfefferle <mpfefferle@carlmarks.com>
Sent: Thursday, January 14, 2016 4:44 AM
To: Lynn Tilton <Lynn.Tilton@PatriarchPartners.Com>
Cc: Mark Claster <mclaster@carlmarks.com>
Subject: RE: Carl Marks Advisors Status Update

Lynn,

Thanks for your quick response. This is what we have been concerned about since we got here – funding into a black hole so our focus has been on the size of the hole and once filled what the business can really generate. Seems like there is a reason for the Company to exist, but the EBITDA numbers we were originally given are significantly overstated, so we are of course concerned about the economics. We will have a more complete picture when Carl, Jon and Michael talk to Barbara today and Jon completes the forecast model with as much accuracy as possible given 4 days on the job fighting fires.

In addition to the points stated in my prior email, we have concerns that the move to Brooklyn operations to the Bronx will be disruptive (only question is how disruptive, in part based upon what eviction timeframe the court rules), but certainly a filing could delay the anticipated short term eviction.

We have a lot more work to do before our meeting tomorrow to give you as complete a picture as possible for decision making based on reality.

Thanks.

http://carlmarksadvisors.com/wp-content/uploads/2014/11/CMA_logo.png

Marc L. Pfefferle
Partner
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900 Third Avenue, 33rd Floor
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website | email | |

Driving success through change and growth

From: Lynn Tilton [mailto:Lynn.Tilton@PatriarchPartners.Com]
Sent: Thursday, January 14, 2016 2:33 AM
To: Marc Pfefferle <mpfefferle@carlmarks.com>
Cc: Jean Luc Pelissier <JeanLuc.Pelissier@PatriarchPartners.com>; Randy Jones <Randy.Jones@PatriarchPartners.com>; Michael Greenberg <Michael.Greenberg@PatriarchPartners.com>; Mark Claster <mclaster@carlmarks.com>; Carl Landeck <clandeck@carlmarks.com>; Jonathan Killion <jkillion@carlmarks.com>
Subject: RE: Carl Marks Advisors Status Update

Marc,
I am sorry if there was a misunderstanding on protocol. I am being asked to provide money and make decisions on the future of the company. I must have clarity and with immediacy on what is the situation. I need direct communication. Thank you for the email. I will read more carefully on the plane.

But it is essential that this business be able to generate more revenues than its cost of payroll or it is not a business that can be saved. I am not sure how it unraveled so quickly but it may just have gone too far.
I agree that we need to meet Friday. I do not want to keep funding into a black hole that

cannot be filled or a company that cannot generate sufficient cash to cover its expenses.

It makes me sad but it is more important that I understand the reality before I fund more and more cash as I have to only fund losses over the last six months.
I have been a constant stop gap measure without a plan that drove the future.

I will read more carefully as I am rushing to pack and get to the airport. But bottom line is if we cannot find a way to create a business that has a future, with positive cash flow and the ability to pay its bills. Then sooner rather than later for me.

Lynn

emailLogo

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Web: www.patriarchpartners.com

From: Marc Pfefferle [mailto:mpfefferle@carlmarks.com]
Sent: Thursday, January 14, 2016 12:59 AM
To: Lynn Tilton
Cc: Jean Luc Pelissier; Randy Jones; Michael Greenberg; Mark Claster; Carl Landeck; Jonathan Killion; Marc Pfefferle
Subject: Carl Marks Advisors Status Update

Lynn,

Excuse us for not communicating earlier. We were under the impression that the protocol was to communicate through Jean-Luc, Randy and Michael, which the team has been doing regularly. Here is our update which expands on the email that Randy sent to you around noon EST Wednesday.

Further, we would request time with you Friday morning at around 10am to present a more detailed update and review the financial model/plan which we have been working on, as well as provide you with our initial analysis of your request this evening for the cost of a BR filing versus the cost of bridging to a sale (which given the AP overhang might also be best done in the form of a 363 sale).

To begin with let us tell you what we have been doing since Monday:

Carl Landeck has been functioning as the CFO of TransCare ("TC"). His focus has been on:

- Getting up to speed on finance operations, processes and controls (and deficiencies of same)
- Understanding the true cash position, vendor situation, and what the immediate/next several months cash requirements of the Company are, emphasizing the daily/weekly forecast tools

- Understanding the borrowing base reporting requirements, data sources and formulas, and he now has working knowledge of revolver borrowing capacity
- Establishing communication link with Mellisa in Wells Boston office (on phone with Michael) and successfully preventing so far Wells implementing a block for payroll taxes and payroll float (both which could still happen if TC does not make upcoming payments)
- Getting immersed in ongoing vendor payment issues
- Along with Jon Killion, working with Michael Greenberg on financial and funding issues of the business
- He also participated in Monday meeting with NYSIP and Tuesday meeting led by Jean-Luc to introduce Carl Marks and get business updates

Jon Killion, who is a senior financial consultant, has been assisting Carl, attending described meetings above, and creating a more robust and flexible financial forecast model and plan. This model reflects input from the business update reviews Jon has been conducting with Michael and Carl. So far, 3 of the 4 Division managers (including Transit) have spent a number of hours each discussing the current outlook for their operations.

As far as myself and Mark Claster, we have been overseeing the overall assignment scope and are providing restructuring guidance, recommendations and constituent negotiation support, so far investing more than a combined one day per week basis. In addition to overseeing and guiding the work of Carl and Jon and working with the Patriarch TC team, to date we have spent several days actively participating in the NYSIP meeting and drafting of the response to Eric Madoff's subsequent email, participating in the management meeting at TC to discuss status of each Division, and advising on approach to various customers, and other business and cash flow issues. We have also had initial conversations with Wells and with their counsel Otterbourg about bringing money into the business on a "protected" basis, which the Patriarch team also has done. We recommend this be further pursued in the context of an overall plan.

After three days of work, we have reached some preliminary conclusions which unfortunately require a substantial amount of funding if the business is going to survive. These are not wish list amounts that might have been asked of you in the past, but absolutely necessary in order to keep the business as an ongoing enterprise.

Carl's observation is that the business has recently been generating and was expected to continue generating approximately $1.5M-$1.6M base cash flow per week, plus the once a month ParaTransit/MTA payment (Note: even if cash flow is higher liquidity will remain a critical issue and with losses of customers or trip volume cash flow generation could fall below these levels). The monthly MTA and subsidy payments have already been received in January so our current baseline is $1.5M in cash collections generated in each of the next 3-4 weeks. So far through Wed. this week, collections received this week are trending to the $1.2M-$1.3M level.

Against these levels of generated availability, weekly payroll and payroll tax amounts come to approximately $1.35M per week, leaving very little cash for other expenses in the coming 3-4 weeks. Vendors have been stretched to the point where some will no longer even work with TC on a COD basis. Some employees have been buying small $ parts on their own credit cards for a while now and all insurance companies have issued cancellation notices with effective dates in the next several business days.

As we see today, here are the most critical amounts that need to be paid, excluding term debt interest payments, in the context of an overall plan that we will discuss on Friday based upon the financial forecast that Jon and Carl have been working on. However, we did want to point out the time urgency (this week) for several of these items:

- Funding of NYSIT payment plan (current cancellation date Tuesday January 19th, with Monday being a holiday)
- Friday payroll of $900K (anticipate Thurs/Friday availability will cover only $500K)
- Friday PR taxes of $465K plus PR taxes from last Friday of $465K (these are personal responsibility items for officers and also potentially Board members, and item Wells will almost certainly institute a block if not caught up)
- $335K Employee medical insurance to avoid cancellation by January 15
- $221K Auto insurance to avoid cancellation by January 15
- $143K Liability/Property Insurance to avoid cancellation by January 22
- $48K Santander and Signature Financial vehicle leases to avoid imminent repossession
- $50K NYS WC Class Action Defense (owe additional $75K) - imminent removal from coalition
- $77K Salisbury Settlement
- $73K Sez Foster Settlement

- $81K Milea – Brooklyn landlord in eviction proceedings
- $44K AT&T – Landline communications. Termination expected by January 31. Shut off Notice
- $10K Mordy attorney
- In addition, need to cover weekly fuel, rent, union dues, repairs & fleet maintenance and other business necessary operating expenses

As a final note, the situation with key staff in tenuous positions appears to include not only Rob Stuck, but we believe Barbara Santiago and likely others who are tired fighting a losing battle with customers and vendors and have lost most hope that a turnaround can be effected. All efforts are being made to encourage these employees, but a quick and positive resolution is essential.

Thanks, the Carl Marks Advisors team looks forward to meeting with you Friday.

Marc L. Pfefferle
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Driving success through change and growth

From: Michael Greenberg
Sent: Friday, January 15, 2016 1:10 PM
To: Financial and Investment Law
Cc: Renee Dudley; Carlos Mercado
Subject: TransCare - wires today
Attachments: wire instructions.pdf

Renee,

Please see the attached wires for today for Transcare.

Zurich – is for auto insurance - **$ 221,122.00**

IPFS (Imperial) – G/L, P/L insurance - **$ 142,993.83**

AETNA PAYMENT OWED FOR DECEMBER 2015 PREMIUM: $ 334,802.76 (awaiting Aetna wiring instructions).

Michael

PX 168

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Wire Instructions for IPFS GL/PL

ABA Number : 101000019
Account Name: IPFS CORPORATION
Account No. 19597

Beneficiary Information: IMPERIAL PFS ACCT # ILC-91463
INSTALLMENT # 6

Amount owed: **$ 142,993.83**

Wire Instructions for ZURICH

ABA Number : [redacted]
Account Name: ZURICH AMERICAN INSURANCE COMPANY
Account No. [redacted]

Beneficiary Information: BAP 9441371 00

Amount owed: **$ 221,122.00**

AETNA PAYMENT OWED FOR DECEMEBER 2015 PREMIUM: **$ 334,802.76**

From: Daniel F. Fiorillo <dfiorillo@otterbourg.com>
Sent: Friday, January 15, 2016 5:04 PM
To: Michael Greenberg
Cc: Adam Katz; 'Forte, Laurence'; 'robert.strack@wellsfargo.com'; john.husson@wellsfargo.com; melissa.provost@wellsfargo.com; Jonathan N. Helfat; Chad B. Simon
Subject: RE: TransCare

Michael,

Thank you for your email below.

While we cannot confirm the points that you have outlined in your email below for reasons that we discussed earlier this afternoon, we are prepared to confirm the following in connection with Patriarch's agreement to fund TransCare today up to $1.5 million for operating expenses (the "Funding").

First, Wells Fargo would be willing to allow the Funding to be secured by a lien in the TransCare assets, junior and subordinate in all respect to any and all liens and security interests of Wells Fargo in such assets and subject to the terms of an intercreditor agreement in form and substance satisfactory to Wells Fargo in its sole discretion.

Second, Wells Fargo would be willing to agree to a 2 week extension of the existing forbearance agreement, provided, that (i) Wells Fargo receives evidence, in form and substance satisfactory to it, that each term loan lender under the TransCare/Patriarch term loan and credit facility (other than Zohar CDO 2003-1, Limited) agree to subordinate its liens and security interests in the TransCare collateral to the liens and security interests of Wells Fargo, on terms and conditions acceptable to Wells Fargo, and (ii) Wells Fargo receives a budget, in form and substance satisfactory to it, on or before the close of business on Tuesday, January 21, 2016.

All rights are reserved.

Thank you.

From: Michael Greenberg [mailto:Michael.Greenberg@PatriarchPartners.com]
Sent: Friday, January 15, 2016 2:06 PM
To: Forte, Laurence S.; Strack, Robert P.
Cc: Provost, Melissa A.; Jean Luc Pelissier; 'Marc Pfefferle'; Randy Jones
Subject: RE: TransCare - request regarding new facility

Larry/Bob,

As we discussed earlier today, new funding needs to be provided today to TransCare in the amount of up to $1.5MM (including resolving NYSIF termination issues) in order to address critical insurance and other obligations (including resolving NYSIF termination issues) and, as part of a first funding under a go forward business plan being developed, of up to $6.5MM.

Below are the terms that we request confirmation of as we work toward a business plan with the company. Carl Marks is getting up to speed but has only been on the ground for 4 days.

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- We are requesting Wells Fargo's confirmation that the new facility that these funds will be provided under will share in a junior capacity to Wells in the Wells Fargo ABL collateral package but senior to the existing Term Loan debt.

- Without Wells Fargo's consent, Patriarch Partners Agency Services (PPAS), as Agent for the lenders, agree not to foreclose on the ABL collateral.

- Patriarch Partners Agency Services, as Agent for the Term Loan lenders, confirm the approval of the seniority of the new funding in the Wells Fargo ABL collateral package to the existing Term Loan debt but junior to Wells Fargo's lien.

- Additionally, PPAS, as Agent for the lenders, confirm that, in a sale, the Wells Fargo's position in the ABL facility has priority over this new facility and the Term Loan lenders.

- In addition to the above, we ask that Wells Fargo permit the company to maintain a 1-week lag in payroll tax obligations without establishing a reserve for a period until the week ending 02/05 while we finalize the plan, review with Wells and begin implementing the plan.

- Based on the commitment being provided to the company and that it will take time to stabilize the company. PPAS, as Agent for the lenders, requests a 1-year extension on the ABL facility through January 31, 2017 while a turnaround plan is put in place along with the assistance of Carl Marks.

  - The 1-year extension will also help the company in procuring leases for new and slightly used vehicles.

- This should be part of an overall Forbearance Agreement waiving existing defaults. No financial covenants would be put in place during the forbearance period other than adherence to a budget with a cushion being provided (revenue, expenses, availability).

- In the spirit of partnership, similar to the Short-term Forbearance Agreement, consideration of a notice of reserve implementation as under Section 7.2 in the attached 3-week forbearance agreement.

Please confirm Wells Fargo's approval of this structure. I am available to discuss at your convenience. Given the urgency of the situation and the required funding today, we require a prompt reply to this request.

Thank you,
Michael

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From: Michael Greenberg [mailto:Michael.Greenberg@PatriarchPartners.com]
Sent: Friday, January 15, 2016 4:12 PM
To: Daniel F. Fiorillo

Cc: Adam Katz
Subject: RE: TransCare

Dan,

Thank you for taking the time to do the call earlier.

Have you completed the response? Our time is running thin here and want to make sure to get feedback.

Michael

Michael S. Greenberg
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